

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7698**

**BILL NUMBER:** SB 416

**NOTE PREPARED:** Mar 1, 2005

**BILL AMENDED:** Feb 28, 2005

**SUBJECT:** Diagnostic Imaging and Outpatient Facilities.

**FIRST AUTHOR:** Sen. Gard

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill establishes financial disclosure requirements for: (1) ambulatory outpatient surgical centers; and (2) diagnostic imaging facilities; and requires a report to be filed with the State Department of Health.

The bill requires a diagnostic imaging facility to be licensed by the State Department and establishes licensing fees. It also establishes the Diagnostic Imaging Facility Council.

**Effective Date:** July 1, 2005.

**Summary of Net State Impact:** *Summary:* The bill extends reporting requirements similar to those required of hospitals to ambulatory outpatient surgery centers and freestanding diagnostic imaging facilities. The bill also increases the number of reports that the Indiana State Department of Health (ISDH) must compile and publish.

The bill establishes a new licensing requirement for freestanding diagnostic imaging centers. It also requires the State Fire Marshall to develop and adopt building codes and design standards for ambulatory surgery centers and diagnostic imaging centers. The bill establishes the Diagnostic Imaging Facilities Council. The cost of the bill is estimated to be \$446,200 in FY 2006 and \$495,800 in FY 2007. The bill provides that if the defined schedule for fees is insufficient to cover the Department's annual cost of conducting the licensure and inspection of diagnostic imaging facilities, the license fees applicable to general acute care hospitals shall be increased in an amount determined by the Budget Agency to be necessary to cover each year's annual deficiency.

**Explanation of State Expenditures:** *Diagnostic Imaging Licensing Provisions:* The bill establishes a 7-member Diagnostic Imaging Facility Council. The 7 members are to be appointed by the Governor. Members not employed by the state are entitled to reimbursement for travel expenses and a \$50 minimum salary per diem. Two meetings of the Council are required each year, although it may meet more often. The cost of each meeting would be \$300 in salary per diem payments to the 6 members appointed who would not be state employees, plus travel expenses. The total cost for the Council would be dependent upon the location of the members appointed by the Governor and the number of meetings held each year.

The bill requires the ISDH to annually license and regulate diagnostic imaging centers, and conduct periodic licensure inspections and inspections in response to alleged breaches of the promulgated licensure rules. The ISDH estimates that there may be 160 to 200 facilities that will meet the definition of a diagnostic imaging facility. If this is the number of facilities to be regulated, the ISDH estimates that 7 additional staff members would be required at an approximate cost of \$357,000 in the first year and \$409,000 in the second year of the program. These expenses would not be eligible for federal matching funds and so would consist of 100% state General Funds.

The bill creates a new Class A misdemeanor; that of advertising or operating a facility that is required to be licensed as a diagnostic imaging facility that is not licensed as required in the bill.

*Requirements for Ambulatory Surgery and Diagnostic Imaging Centers:* The bill would increase the financial reporting requirements for the ambulatory surgery centers and would require similar standards be included for diagnostic imaging centers as well. The ISDH would need to amend the ambulatory surgery center licensure rules and include these provisions in the rules required to be promulgated for the diagnostic imaging center rules. In addition, the Department is required to publish a diagnostic imaging center “report card” for consumers. The Department estimates the combined fiscal impact of these provisions will require 1.5 staffing positions and approximately \$81,200 in the first year and \$78,800 in the second year. Expenses associated with the ambulatory surgery centers may be eligible for federal matching funds, but the extent of potential federal participation in these requirements is unknown. Expenses associated with the diagnostic imaging centers would be 100% state General Funds.

**Explanation of State Revenues:** The Attorney General may seek relief for operating an unlicensed diagnostic imaging facility including civil penalties for noncompliance in an amount not to exceed \$25,000 per day of unlicensed operations.

*Licensure Fees:* The bill establishes a fee schedule for the licensure of free-standing diagnostic imaging facilities. The amount of annual revenue collected from the fee would be dependent upon the number of facilities that are determined to require licensure and the number of procedures performed annually. The fee is structured as the ambulatory outpatient surgery center fees; which are graduated based upon the number of procedures performed annually. The bill further provides that if the fees are insufficient to cover the Department’s annual cost of conducting the licensure and inspection of diagnostic imaging facilities, the license fees applicable to general acute care hospitals shall be increased in an amount determined by the Budget Agency to be necessary to cover each year’s annual deficiency.

*Penalty Provision:* If additional court cases occur as a result of the operation of unlicensed diagnostic imaging facilities, and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class A misdemeanor is \$5,000. However, any additional revenue would likely be small.

**Explanation of Local Expenditures:** *Penalty Provision:* A Class A misdemeanor is punishable by up to one year in jail.

**Explanation of Local Revenues:** *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

**State Agencies Affected:** Indiana State Department of Health.

**Local Agencies Affected:** Trial courts, local law enforcement agencies.

**Information Sources:** Terry Whitson, Assistant Commissioner, Healthcare Regulatory Services, Indiana State Department of Health, 317-233-7022.

**Fiscal Analyst:** Kathy Norris, 317-234-1360.